

## Message from the Director in Charge of R&D

### Working to strengthen our R&D system to accelerate R&D with an eye on reforming our business portfolio



#### Yuichi Fujii

Managing Executive Officer in charge of R&D, and General Manager of Polyurethane Division

Through interface control technology, which constitutes our core technology cultivated through continuous R&D for over a century, we supply society with 3,000 types of functional chemicals. To capture valuable customer needs, we must evolve such technologies and product development capabilities to render them more competitive than ever.

#### Toward achieving business portfolio reform

In order to achieve company-wide business portfolio reform, we need to take a higher-level view of the entire business and quickly incorporate this into an R&D strategy. To this end, we established a new research position in April 2024, working to strengthen our R&D system and to accelerate R&D while promoting collaboration with each business division.

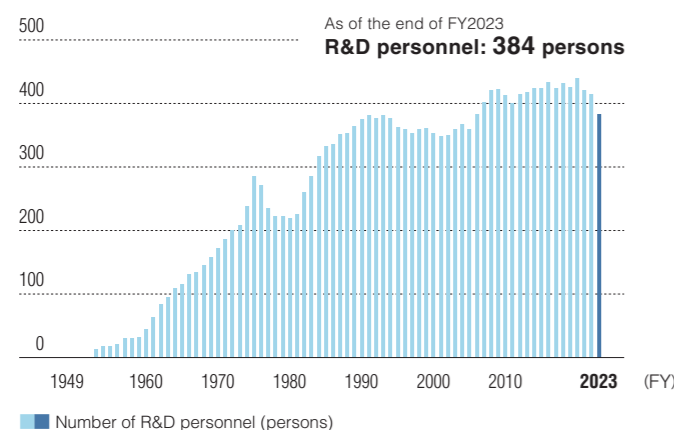
We will also make changes to the composition of our R&D topics. We review the balance between short-term

and long-term topics and shorten the time required to complete the topics by deploying research workforce flexibly, thereby aiming to accelerate development cycles. Moreover, while reinforcing our strengths through technological fusion, we will reorganize our R&D topics and review the appropriate distribution of our research workforce.

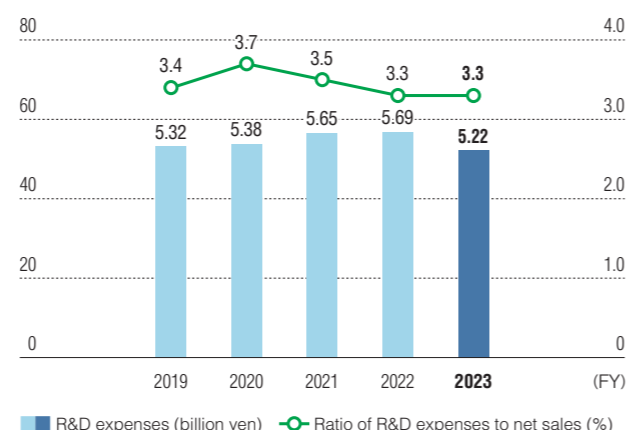
The evolution of the R&D system is essential for reforming our business portfolio, and by implementing each step, we will solidify our foundation for sustainable growth.

#### ► Changes in the number of R&D personnel

Nearly 30% of our employees are involved in R&D activities. (equivalent to about 5% of net sales each year).



#### ► R&D expenses / Ratio of R&D expenses to net sales



## R&D/Intellectual Property

The Sanyo Chemical Group's strength lies in its various core technologies, including interface control technology, and its development style of translating customer value and needs into functional solutions. We have developed performance chemicals that are used in various fields.

#### ■ Promptly meeting diverse customer needs with NeeSeeds-Oriented approach

The "NeeSeeds-Oriented approach" is our unique term that describes the approach of combining a technique developed to meet a specific need with another technique to create new seed technology for new products. By taking this approach in a chain reaction manner, we will develop highly original products in new business fields.

In recent explorations of new business ventures in the energy, electronics, and biomedical fields, we have placed special focus on this approach on open-innovation and alliances with other companies.

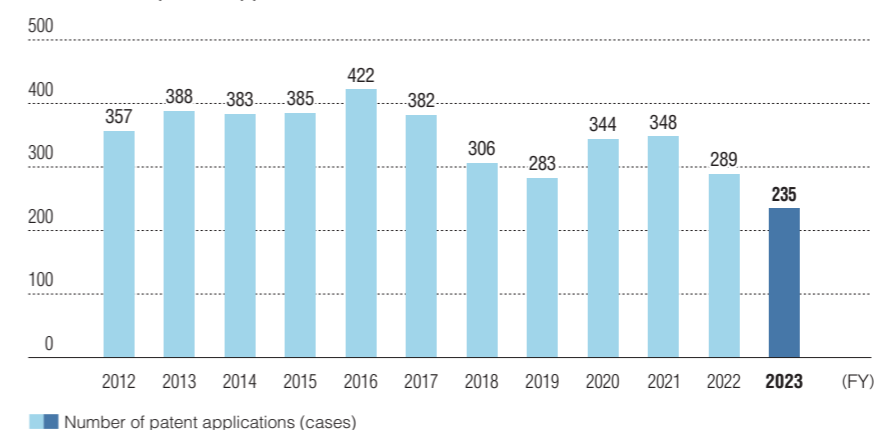
#### ■ Measures to foster motivation

We have various measures to keep individual researchers highly motivated and active, such as the challenge system, the commendation system, and opportunities for technology fusion and human resource development. Researchers can take on appropriate challenges at any time and gain successful experience with support from others.

#### ■ Commendation system established for each stage of R&D

The commendation system for R&D includes the Inventor of The Year Award (best invention), which is granted to a patent application selected at the early stage of development, The Best R&D Award, which evaluates the quality of R&D at the development stage, and The Best RU Award, which evaluates the benefits of the development results after development.

#### ► Number of patent applications



#### ■ Using intellectual property information in R&D

In terms of intellectual property activities, we have developed highly unique products and ensured their reliability by patenting developed technologies, building a patent network to increase the technological advantage and improve profitability, and avoiding infringement of third parties' intellectual property rights.

We also conduct overall analysis of intellectual property and market information, and formulate and implement a business strategy based on the IP landscape.\* We combine the NeeSeeds-Oriented approach, which is the hallmark of our Group's R&D, with the IP landscape to verify the advantages of our proprietary technologies in both existing and new fields, and search for new applications. This approach increases the reliability of our R&D and accelerates development. We also analyze patent information in the areas of focus and expertise of other companies in order to understand their technological issues and examine the possibility of aligning with their technologies, thereby promoting proposals for creating new businesses.

Through the IP Landscape, we encourage the Techno Research Dept., with its expertise in intellectual property, to collaborate with the sales section as well as the R&D section. We share the information obtained by combining the technical issues and needs of customers with intellectual property information to promote interdepartmental dialogue, thus aiming to make our business even more unique and profitable.

\* IP landscape: A coined term derived from "intellectual property" and "landscape"